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BOND CLOTHES

WORN BY MORE FASHION-MINDED MEN AND WOMEN
THAN ANY OTHER CLOTHES IN AMERICA

**annual
report**

YEAR ENDED JULY 31, 1962

BOND STORES, INCORPORATED

OFFICERS

IRVING COHEN	<i>Chairman of the Board and Treasurer</i>
ELLIS H. SCHECHTMAN	<i>President</i>
IRVING MOSELOWITZ	<i>Executive Vice-President</i>
SYLVAN N. KING	<i>Vice-President</i>
MAURIE SANGER	<i>Vice-President</i>
LOUIS A. GOOD	<i>Vice-President</i>
LOUIS B. BERMAN	<i>Vice-President</i>
WILLIAM B. LOFTUS	<i>Vice-President</i>
ROBERT J. BIRNBAUM	<i>Secretary</i>
JOHN B. GOETKE	<i>Assistant Secretary</i>

BOARD OF DIRECTORS

H. ROE BARTLE	JOSEPH KLINGENSTEIN
IRVING COHEN	IRVING MOSELOWITZ
LOUIS A. GOOD	CHARLES F. PHILLIPS
WM. J. HAMMERSLOUGH	MAURIE SANGER
SYLVAN N. KING	ELLIS H. SCHECHTMAN

TRANSFER AGENT

THE FIRST NATIONAL CITY BANK OF NEW YORK
2 Broadway • New York 15, N. Y.

REGISTRAR

BANKERS TRUST COMPANY
16 Wall Street • New York 15, N. Y.

This report to stockholders is published solely for the purpose of providing information. It is not a representation, prospectus or circular in respect of any stock or security of any corporation and is not transmitted in connection with any sale, negotiation for the sale, or offer to sell or buy, or to induce the purchase, of any stock or security.

COMPARATIVE HIGHLIGHTS FOR THE FISCAL YEAR ENDED JULY 31

	1962	1961
NET SALES	\$88,630,545.00	\$84,647,068.00
INCOME BEFORE TAXES	4,469,865.00	3,140,321.00
INCOME AFTER TAXES	2,239,865.00	1,520,321.00
EARNINGS PER SHARE	1.33	.90
DIVIDENDS PAID PER SHARE	1.25	1.25
WORKING CAPITAL	41,901,082.00	41,814,099.00
CURRENT RATIO	6.7 to 1	7.5 to 1
CAPITAL STOCK AND SURPLUS	54,543,360.00	54,413,973.00
BOOK VALUE PER SHARE	32.31	32.23
*NUMBER OF STORES	118	111

**Does not include agencies*

BOND STORES, INCORPORATED

FIFTH AVENUE AT 35TH STREET

NEW YORK 1, N. Y.

October 26, 1962

Dear Stockholder:

Transmitted herewith are your Company's audited Consolidated Balance Sheet and Consolidated Statement of Income and Earned Surplus for the fiscal year ended July 31, 1962.

Results of operations reflected a substantial and encouraging improvement over the prior fiscal year performance in both sales and profits, despite a most trying year in our industry. Total sales amounted to \$88,630,545, compared with \$84,647,068 in the preceding year, an increase of \$3,983,477. Contributing toward this 4.7% sales rise were the volumes of business transacted in the 10 new stores opened at various times during the fiscal year. Additionally, the average sales performance for all stores in operation during full fiscal years ended July 31, 1961 and 1962, respectively, was 1.6% better this year than last year. Since most of the stores in this latter group are located in so-called "downtown" business areas, we consider this result encouraging evidence of a reversal of the downward trend reflected, generally, in performances over the past several years for stores in this category. Additionally, we attribute the improved result, in part, to an increased acceptance of our merchandise based on our policy of good values at popular prices.

After providing for Federal income taxes, adjustments reflecting the substantial starting-up expenses for new stores opened during the year, and other deductions, net earnings amounted to \$2,239,865, equal to \$1.33 per share on the 1,688,383 shares of common stock outstanding as of the year-end.

This is an increase of 48% over net earnings of the preceding year.

Operating efficiencies at both the retail and manufacturing level contributed to such earning ratio improvement.

After distributing dividends amounting to \$2,110,478, at the annual rate of \$1.25 per share, paid in equal quarterly installments of 31¼¢, the balance of earnings was added to surplus, thereby creating a book value of \$32.31 per share at the fiscal year-end. Your Company has paid dividends in every quarter of every year since 1938.

Our financial position continues to be strong. Working capital, the money used to run the business, amounted to \$41,901,082 at year-end. Current assets, including cash and marketable securities, were at a 6.7 to 1 ratio to current liabilities. The Company is, therefore, in a favorable position adequately to provide for all of its financial needs, to continue its growth-from-within program and to meet market opportunities in the year ahead. The parent company has no bank debt and no funded debt and has no present intentions of borrowing.

Reference to the Consolidated Balance Sheet shows an increase of \$770,047 in merchandise inventories. We call your attention to the fact that the entire increase is in the item referred to as "Woolens, trimmings, etc.". We are pleased to inform you that this portion of our inventory, which consists entirely of current Fall and next Spring raw materials in a wide variety of styles and patterns, was all acquired at favorable prices. The remainder of our inventory, made up of work in process and finished goods, has approximately the same value this year as in the prior year. In view of opening, plus continuing, merchandise requirements for the new stores opened during the year, as well as the starting-up inventory requirements for new stores to be opened during the first half of the new fiscal year, the "average-per-store" inventory as of the fiscal year-end was at a lower unit and dollar basis, reflecting a more satisfactory inventory turnover than was experienced in the prior year.

During the year, 10 new stores were opened and 3 stores were closed. There were 118 stores in operation at the year-end, compared with 111 as of the prior year-end, a net gain of 7. On January 9th, our 42nd Street, New York City store was closed as a result of fire. After complete restoration, it was reopened on May 3, 1962. Our Jamaica, Long Island, New York store was closed for the same reason on May 16th. Because of reconstruction delays, this store is not expected to reopen until early in 1963. Despite satisfactory fire-loss settlements, it is our opinion that uninterrupted operations at these two important stores would have added materially to the hereinbefore reported annual sales and profits. During the year, 2 agency franchises were discontinued, reducing to 21 the total number of agency stores in operation at the year-end.

Capital expenditures for new stores, the refixturing and modernization of existing stores, and installation of new, improved machinery in our factories, amounted to \$1,495,452. As in previous years, our capital expenditure program is reviewed regularly with consideration for our requirements and in the light of current business conditions. We continue to adhere to our policy of limiting capital expenditures to our own trade fixtures.

Last year, we reported to stockholders our plans to open 11 new stores during fiscal 1961-62, "subject to unforeseen delays." As noted above, 10 were opened. The eleventh, Regional Shopping Center, located in suburban Detroit, Michigan, was carried over and is now included in our 13-store opening program for fiscal 1962-63, as noted on the inside back cover page of this report. As of this date, the following stores have already been opened: On September 20th, East Gate Shopping Center, Chattanooga, Tennessee and a downtown store at 162-164 W. Wisconsin Avenue, Milwaukee, Wisconsin; on October 15th, Richland Plaza, Ft. Worth, Texas, Regional Shopping Center, Mt. Clemens (Detroit), Michigan and Madison Center, Madison Heights (Detroit), Michigan; on October 18th, Southland Terrace Shopping Center, Louisville, Kentucky and on October 25th, Great Southern Shopping Center, Toledo, Ohio. Except for Great Southern Shopping Center, where it is too early to report on operations, all of the remaining stores opened are presently operating at satisfactory level. We expect to open our Huntington, Long Island, New York store early in November and, subject to unforeseen delays, we anticipate completing the remainder of our current fiscal year store expansion program next Spring.

Your management is concentrating a great deal of its programming activity in several areas considered by it to be important for the improvement of the Company's performance level in today's highly competitive retail apparel markets. Among these, are

(a) A continuing program of modernization. In this area, we are pleased to inform you that we are currently making important changes of machinery and equipment in our factories. The new machinery and equipment, embodying many engineering improvements, will permit the adoption of key procedural changes in manufacturing processes and will increase the efficient and effective handling of raw materials and the quality of finished products. At the store level, we are continuing our program of, and are presently engaged in, modernizing and up-dating a number of our older stores to provide improved customer conveniences and current retailing innovations.

(b) A cost control program. In this area, we have instituted a vigorous company-wide program, designed to generate an awareness on the part of every employee, in our factories, offices and retail stores, of the need to eliminate waste. In addition, at the store level, we have instituted an employee training program, designed to provide improved point-of-sale presentation and services to our all-important customers.

(c) A hard-hitting advertising program, designed to generate a broader consumer awareness of the fashion, quality and consistently favorable competitive retail prices of the products we make and sell. In this area, in an effort more fully to capitalize upon the Company's established reputation, we have recently added to our broad and comprehensive newspaper and direct mail advertising programs, radio and/or television programs in several of our more important markets.

That these constructive steps taken by your management have shown, and continue to show, favorable results, can best be supported by the fact that, in addition to the improved sales and ratio of profits to sales hereinabove reported, we have also realized a sales gain for August (6%) and September (15.1%) in the current fiscal year.

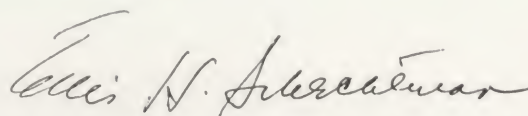
We should like at this point to make special mention of one of our more important assets—the men and women in our stores, factories and offices, who make up our almost 9,000 employees. Without their demonstrated spirit of cooperation, the Company's reported progress during fiscal 1961-62, would not have been possible. Therefore, on behalf of our Board of Directors, we wish to express to our fellow employees our sincere thanks for their dedicated efforts and support during the year and in anticipation of their continuing efforts in the future.

It is always difficult to forecast the future, more particularly in uncertain times such as we are faced with today. Our policy of offering outstanding values at favorable competitive prices has served us well in the past. We intend to continue adherence to this policy, believing that a greater percentage of the public today is demanding better quality merchandise at fair prices. Additionally, we believe that customers prefer to shop in the kind of surroundings and receive the kind of services our stores and personnel offer and that their importance warrants.

In respectfully submitting this report and in extending to you and all of the Company's shareholders our deep appreciation for your continued interest and support, may we, at the same time, assure you of our untiring efforts to advance your shareowner interests by utilizing your investment in Bond Stores, Incorporated for the purposes of achieving growth, strength and profitability.

Respectfully submitted,


Chairman of the Board


President

BOND STORES, INCORPORATED
CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets:

Cash (including time certificates of deposit of \$1,500,000)		\$9,391,731
Short-term municipal bonds—		
at cost, which approximates market, plus accrued interest		1,005,666
Accounts receivable—customers	\$14,070,557	
Less: Reserve for doubtful accounts	347,986	13,722,571
Miscellaneous accounts receivable		571,825
Merchandise inventories—Note A:		
Woolens, trimmings, etc.	3,024,997	
Work in process	1,270,220	
Finished goods	20,226,450	24,521,667
Total Current Assets		49,213,460
Miscellaneous Other Assets		415,313

Fixed Assets—at cost—Note B:

Land and buildings	\$10,106,079		
Less: Reserves for depreciation	2,168,771	7,937,308	
Machinery, furniture, fixtures and equipment	6,594,928		
Less: Reserves for depreciation	3,384,112	3,210,816	
Alterations, improvements and leaseholds	6,537,264		
Less: Reserves for amortization	4,694,754	1,842,510	12,990,634

Deferred Charges:

Prepaid rent and advances to landlords on improvements to leased properties	727,050		
Unexpired insurance and other prepaid expenses	733,779		1,460,829
			<u>\$64,080,236</u>

The accompanying notes are a

OPERATED AND SUBSIDIARIES

SHEET AS AT JULY 31, 1962

LIABILITIES

Current Liabilities:

Accounts payable		\$1,798,876
Deposits and due to customers		359,268
Accrued expenses and sundry liabilities		2,991,766
Reserve for Federal income taxes—Note C		2,016,487
Mortgages payable—current installments—Note B		145,981
Total Current Liabilities		<u>7,312,378</u>
Mortgages Payable by Subsidiaries—Note B	\$2,370,479	
Less: Current installments shown above	<u>145,981</u>	2,224,498

Capital Stock and Surplus:

	<u>Shares</u>	
Preferred Stock—		
par value \$100 per share:		
Authorized to be issued in series as designated		
by the Board of Directors	100,000	
Retired and cancelled	<u>60,000</u>	
Authorized but not designated	<u>40,000</u>	
Common Stock—		
par value \$1 per share:		
Authorized	<u>2,500,000</u>	
Issued and outstanding	<u>1,688,383</u>	1,688,383
Capital Surplus (no change during the year)		11,596,136
Earned Surplus—Exhibit B	<u>41,258,841</u>	<u>54,543,360</u>
		<u>\$64,080,236</u>

an integral part of this statement.

BOND STORES, INCORPORATED
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS
FOR THE YEAR ENDED JULY 31, 1962

Sales		\$88,630,545
Cost of goods sold and stores and general and administrative expenses, exclusive of depreciation and amortization—Note D		<u>83,502,498</u>
		5,128,047
Add:		
Income from owned real estate before depreciation—Note E	\$223,325	
Other income—net	<u>320,504</u>	<u>543,829</u>
		5,671,876
Deduct:		
Depreciation and amortization		<u>1,202,011</u>
Net income before Federal income taxes		4,469,865
Provision for Federal income taxes—Note C		<u>2,230,000</u>
Net income		2,239,865
Earned Surplus as at July 31, 1961		<u>41,129,454</u>
		43,369,319
Dividends on Common Stock		<u>2,110,478</u>
Earned Surplus as at July 31, 1962—Exhibit A		<u><u>\$41,258,841</u></u>

The accompanying notes are an integral part of this statement.

BOND STORES, INCORPORATED
AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS AS AT JULY 31, 1962

- NOTE A: Merchandise inventories are stated at or below the lower of cost (prime cost as to goods manufactured by the Corporation, retail inventory method or invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. These methods for pricing the merchandise inventories are consistent with the practice of prior years.
- NOTE B: Properties owned by subsidiaries are subject to first mortgages in the amounts of \$2,046,000 and \$324,479, payable in quarterly installments to December 17, 1967 and monthly installments to September 1, 1964, respectively. At said dates the unamortized balances of the mortgages become due and payable. The Corporation is not liable under such mortgages, but is the lessee of the properties under long term leases, which leases are assigned as collateral under the mortgages.
- NOTE C: The Federal income tax returns of the Corporation have been examined to July 31, 1960.
The accompanying financial statements are subject to final determination of Federal, state and local taxes.
- NOTE D: The Employees' Profit Sharing and Retirement Fund Trust Agreement, as amended, provides, among other things, for (1) voluntary contributions by eligible employees, (2) contributions by the Corporation and its subsidiaries, out of net earnings for the year as defined in the agreement, based upon the participating employees' contributions, (3) additional contributions by the Corporation and its subsidiaries computed at various percentages of net earnings for the year as defined in the agreement after deducting therefrom \$4,000,000 plus \$1 per share for any additional shares which the Corporation may issue after December 31, 1952, excluding additional shares resulting from stock dividends or split-up of stock and (4) the right of the Corporation to discontinue contributions to the plan.
The contributions of the Corporation and its subsidiaries for the year ended July 31, 1962, amounted to \$81,791.
- NOTE E: This item includes intercompany rental on property partly occupied by the Corporation.
- GENERAL: As at July 31, 1962, the aggregate minimum annual rental upon real property leases, other than intercompany leases, expiring after July 31, 1965, amounts to approximately \$3,300,000. Certain of these lease agreements provide for additional rentals based on sales or for payment of certain expenses, such as real estate taxes and maintenance costs.

ACCOUNTANTS' REPORT

To the Board of Directors,
BOND STORES, INCORPORATED, New York, N. Y.

We have examined the consolidated balance sheet of Bond Stores, Incorporated, and subsidiaries as at July 31, 1962, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of Bond Stores, Incorporated, and subsidiaries at July 31, 1962, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y.
October 9, 1962

LOCATION OF BOND STORES AND AGENCIES

ALABAMA

BIRMINGHAM

CALIFORNIA

ANAHEIM
EL MONTE
GLENDALE
HOLLYWOOD
HUNTINGTON PARK
LAKEWOOD CENTER
LOS ANGELES (5 stores)
NORTH HOLLYWOOD
OAKLAND (2 stores)
PANORAMA CITY
SAN DIEGO (2 stores)
SAN FRANCISCO
SAN JOSE
WEST COVINA

COLORADO

DENVER

CONNECTICUT

HARTFORD
MILFORD
NEW HAVEN
*NEW LONDON
*TORRINGTON

DELAWARE

*WILMINGTON

DISTRICT OF COLUMBIA

WASHINGTON

FLORIDA

*JACKSONVILLE

GEORGIA

ATLANTA
SAVANNAH

ILLINOIS

ALTON
CHICAGO (7 stores)
HILLSIDE
KANKAKEE
SPRINGFIELD

IOWA

DES MOINES

KENTUCKY

LOUISVILLE (2 stores)

LOUISIANA

*MONROE

MAINE

*PORTLAND

MARYLAND

BALTIMORE
HYATTSVILLE

MASSACHUSETTS

BOSTON
FALL RIVER
*LAWRENCE
*PITTSFIELD
SPRINGFIELD

MICHIGAN

DETROIT (2 stores)
PONTIAC

MINNESOTA

MINNEAPOLIS

MISSOURI

KANSAS CITY (2 stores)
ST. LOUIS (3 stores)

NEBRASKA

*HASTINGS

NEW JERSEY

AUDUBON
EATONTOWN
JERSEY CITY
MENLO PARK
NEWARK
NEW BRUNSWICK
PARAMUS
TRENTON

NEW YORK

ALBANY
BUFFALO
*ELMIRA
HICKSVILLE, L. I.
NEW HYDE PARK, L. I.
NEW YORK (6 stores)
ROCHESTER (3 stores)
SCHENECTADY
SYRACUSE
VALLEY STREAM, L. I.

OHIO

AKRON (3 stores)
*ALLIANCE
CINCINNATI (2 stores)
CLEVELAND (5 stores)
COLUMBUS (2 stores)
DAYTON (2 stores)
LORAIN
*SALEM
TOLEDO
YOUNGSTOWN

PENNSYLVANIA

*CHESTER
GERMANTOWN
*NEW KENSINGTON
PHILADELPHIA (2 stores)
PITTSBURGH
READING
SCRANTON
*UPPER DARBY
WILKES-BARRE

RHODE ISLAND

PROVIDENCE

TENNESSEE

MEMPHIS (2 stores)

TEXAS

*ABILENE
AUSTIN
*BROWNWOOD
*CORPUS CHRISTI
DALLAS (3 stores)
FORT WORTH
HOUSTON (3 stores)
SAN ANTONIO

VERMONT

*BARRE
*RUTLAND

VIRGINIA

FALLS CHURCH

WEST VIRGINIA

*PARKERSBURG

WISCONSIN

WAUWATOSA (Milwaukee)

Factories in Rochester & Poughkeepsie, N. Y., New Brunswick, N. J., and Meridian, Miss.

*AGENCIES

We are pleased to announce the planned opening of the following stores during fiscal 1962-1963

***East Gate Shopping Center**

Chattanooga, Tennessee

***Richland Plaza**

Fort Worth, Texas

***Regional Shopping Center**

Mount Clemens (Detroit), Michigan

***Madison Center**

Madison Heights (Detroit), Michigan

***Southland Terrace Shopping Center**

Louisville, Kentucky

***162-164 W. Wisconsin Avenue**

Milwaukee, Wisconsin

***Great Southern Shopping Center**

Toledo, Ohio

Lawrencewood Shopping Center

Chicago, Illinois

Boulevard Mall

Buffalo, New York

Northline Shopping Center

Houston, Texas

McCreless Shopping City

San Antonio, Texas

Reisterstown Road Plaza

Baltimore, Maryland

Walt Whitman Shopping Center

Huntington, Long Island, New York

* Opened to date



